

THE IMPACT OF GLOBALIZATION ON NORTH CAROLINA'S FURNITURE INDUSTRIES



BY

**Ucheoma Nwagbara
Policy Analyst
North Carolina Department of Commerce
Policy, Research, and Strategic Planning Division**

**Urs Buehlmann
Assistant Professor and Extension Specialist
North Carolina State University
Department of Wood and Paper Science
Wood Products Extension**

**Al Schuler
Research Economist
USDA Forest Service
Northeastern Research Station**

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EXECUTIVE SUMMARY

Globalization has encouraged the relaxation if not abolishment of import control rules. In the process it gave fillip to increased penetration of cheap imports, especially from Asia and Latin America, at the disadvantage of the domestic (furniture) industry. The industry lost market share in spite of a strong housing market over the last years.¹ This process shows no signs of stopping and the industry continues to lose market share relative to imports. This is attributable largely to globalization friendly nuances including the North American Free Trade Agreement – NAFTA, Free Trade Area of the Americas – FTAA, and the World Trade Organization - WTO, which favors wider market access. According to Buehlmann and Schuler, imports now equal 53 percent of domestic U.S. furniture production and account for 33 percent of U.S. consumption², thereby flattening domestic furniture production, further eroding jobs.

The numbers forcefully tell the story. Between 2000 and 2001, for example, the U.S. furniture industry lost more than 36,000 jobs (6.5 percent of nationwide employment) according to the U.S. Bureau of Labor Statistics.³ According to the North Carolina Employment Security Commission (ESC), in 2000 (the most recent annual data available), the North Carolina furniture industry employed 1,015 (1.3 percent) less people than it did a year prior. In the third quarter of 2001 (most recent quarter available), furniture employment dipped more than 10 percent compared to the same period a year earlier, a record of 7,852 job losses.⁴ Between 1990 and 2000, the furniture employment level dropped sharply from 85,178 to 76,220, shedding almost 9,000 jobs or more than 10 percent of industry's employment.⁵ This trend accelerated significantly in 2001, when almost 10,000 jobs were lost in one year (a loss of 12.8 percent of the total workforce employed in the North Carolina furniture industry in 2000).⁶ At the same time, new investments, capitalization, and modernization are in dire straits; while industry analysts forecast continuing anxiety in the furniture sector.

Specific findings of this study include:

- From 1980 to 1990, the North Carolina furniture industry averaged 84,578 jobs per year compared to 77,666 average jobs in the period from 1991 to 2000, a difference of more than 6,900 jobs or 8.2 percent.
- From 1980 to 1990, the North Carolina furniture industry recorded a 3,163 net job gain compared to a 2,664 net job loss in the period from 1991 to 2000, indicating more than a 84 percent net job loss.
- From 1980 to 1990, the North Carolina average annual percent of furniture jobs to total manufacturing employment was 10.2 percent compared to 9.3 percent in the period from 1991 to 2000, declining almost 1 percent.

- In the period from 1980 to 1990, North Carolina's total furniture employment establishment net gain was 192 or 30.3 percent, compared to 47 establishments closings (-5.5 percent) in the period from 1991-2000.
- Consistent with statewide trends, all of North Carolina's seven Economic Development Regions (data for North Carolina's Eastern region was suppressed for confidentiality reasons) lost furniture jobs in the period from 1991 to 2000. The hardest hit Region was the Piedmont Triad which lost more than 3,700 jobs or 12.5 percent, AdvantageWest lost 1,731 jobs or 8.1 percent and, the Charlotte Region where 1,591 jobs or 6.4 percent were lost. The Research Triangle Partnership shed 1,006 jobs or 33.5 percent, North Carolina's Southeast lost 816 jobs or 56.3 percent, and Global TransPark gave up 420 jobs or 31.3 percent of its total in the furniture manufacturing area.
- In the period from 1990 to 2000, all of North Carolina's seven Economic Development Regions except AdvantageWest and Research Triangle (data for North Carolina's Eastern region was suppressed for confidentiality reasons) experienced furniture plant closings. Piedmont Triad recorded the highest rate at 31, North Carolina's Southeast region 20, Charlotte Region 9, and Global TransPark 4.
- Relative to the Southeast region, between 1990 and 2000 North Carolina lost more than 8,000 furniture jobs compared to furniture job gains recorded by our closest economic development rivals, Alabama (7,300 or 24.7%), Georgia (2,000 or 20.2%), and South Carolina (200 or 4.5%). Only Virginia was a net loser of employment like North Carolina during this period. However, Virginia lost "only" 1,600 furniture jobs. Furniture manufacturing is important to North Carolina, employing almost 10 percent of the state's manufacturing workforce (76,400 jobs), more than 50 percent of these five states' total.

In the final analysis, the issue of globalization is not to "disenfranchise" people economically. Rather, to empower as many people and corporate entities as possible to share in the benefits that globalization offers including "lowering costs, expanding choices, and delivering more capital, giving the individual more power to succeed." Consequently, what is required are adequate policy measures and selective support of the industry that will help to ameliorate the negative impact of globalization on North Carolina's furniture industry and make the industry a globally competitive force.

Short-run efforts could be directed at delivering effective corporate and civic leadership, helping the industry partnering with competitors to lower costs and leveraging the companies through easier financing. The industry needs to evaluate its business models, evaluate product lines, become more efficient and diversify their markets, among other things. Schuler and Buehlmann, in a forthcoming USDA Forest Service General Technical Report entitled "*Identifying future competitive business*

strategies for the U.S. furniture industry: benchmarking and paradigm shifts", are trying to outline some potential strategies for the survival of the domestic furniture industry.⁷

In the long run, the state's effort could be directed at supporting the industry by strengthening the furniture "center of excellence" in North Carolina. This includes improving infrastructure, offering up-to-date training opportunities for the industry, supporting the industry through outreach and reasonable laws in addition to pursuing all the possibilities inherent in trade policies.

I. INTRODUCTION

Globalization and free trade is here to stay and North Carolina must deal with it. While globalization has boosted world trade and economic output, continued to break national economic barriers, raised living standards, bolstered international investments and movement of capital, induced technology efficiency and reduced costs, it has made life difficult for people and industries dislocated by the change. North Carolina's furniture industry is no exception.

While globalization may not be totally responsible for the dwindling fortunes of North Carolina's traditional manufacturing sector including the furniture industry, it is strongly linked to the decline of the furniture industry. As a result of globalization many North Carolina furniture companies have adopted cost cutting measures to counter especially the problem of domestic "high production costs"⁸ and other overheads. Strategies of North Carolina manufacturers also include offshore outsourcing and contracting out to low wage countries in Asia and Latin America, effectively spurring the erosion of many local furniture jobs and plant closings.

A recent report by the U.S. Bureau of Labor Statistics showed that while manufacturing unit labor costs (labor compensation per unit of output) declined in competitive countries including Japan (-6.0 percent), Korea (-4.0 percent), and Taiwan (-3.5 percent) in 2000, it went up by 1.4 percent in the United States.⁹ This exacerbates the tendency for United States' manufacturers to move operations to low labor cost overseas countries, consequently shedding local jobs. In the same vein, another related report indicated that United State's furniture wage rates were higher than those of the competition including Mexico, Taiwan, and Hong Kong by up to 80 percent,¹¹ further luring U.S. manufacturers to relocate overseas, invariably jeopardizing local manufacturing jobs.

The world economy including the United States has undergone major transformations in the past decades. The pace of change has been dramatic since the end of the Cold War and the ascendancy of information and Internet technology. North Carolina is no exception to this paradigm shift. Aside from the relaxation of Cold War tensions and the Internet revolution, another major force driving this unprecedented economic change is the reality of economic globalization as expressed in free trade. Free trade has opened new markets, sharpened the relevance of a knowledge based global economy and, at the same time, created new challenges in its wake. To prosper, the North Carolina **furniture industry*** must tap into the globalization bonanza, and, at the

* Establishments engaged in manufacturing household, office, public building, restaurant furniture, and office and store fixtures – Standard Industrial Classification (SIC 25) or North American Industry Classification System (NAICS 3371).

same time, find ways to ameliorate the negative side effects of the globalization imperative^b.

Unfortunately, not only has North Carolina's furniture industry not taken full advantage of the globalization windfall, but also globalization has taken a heavy toll on the fortunes of this industry. Layoffs and plant closings, a growing dislocated worker problem, comparative disadvantages, outdated technology, consolidations, downsizing, mergers, restructurings, etc., are all signs of the growing problem that one of North Carolina's major industries face. Between 1990 and 2000 (the most recent annual data available), for example, North Carolina lost nearly 9,000 furniture industry jobs (almost 10 percent of its original employment).¹² This disturbing trend accelerated significantly in 2001, where almost 10,000 jobs were lost (a loss of 12.8 percent of the total workforce employed at the NC furniture industry in 2000).¹³ This trend, according to preliminary data, is continuing. More disturbing, there seem to be no measures in place to properly address both real and potential problems facing the industry in the aftermath of globalization.

What is globalization? How widespread are the impacts of, and what are the consequences of globalization on North Carolina's furniture industry? And what are the implications for public policy?

Globalization

No consensus on the definition of globalization exists. For the purposes of this study, globalization is defined as the "increasing economic integration of the world economy."¹⁴ Globalization is not a new phenomenon. In fact, it is a well established economic practice expressed in various forms, such as, international trade (imports and exports), foreign direct investments (firms investing in other countries), capital market flows (foreign and domestic sources of funds including bonds, equities, loans), region specific market bloc alliances (e.g. North American Free Trade Agreement – NAFTA, Free Trade Area of the Americas – FTAA, European Union - EU) and global trade pacts (e.g. the World Trade Organization- WTO, etc.). Yet, not until the dawn of the 1990s did the concept of globalization begin to take hold. Since then, global markets and institutions continued to grow in importance.

Several studies indicate that the chief cause of this development is technological progress, especially, the emergence of the Information Age epitomized by the Internet and the "availability of cheap, rapid, and reliable communications that have cut both

^b This report focuses on the furniture industry – however, the reader should keep in mind that there are significant downstream and upstream industries supporting the furniture industry. For example, the wood products industry (of which furniture itself is a part) without furniture has about the same size and importance as the furniture industry and is far larger if wooden building construction is included. Thus, trends discussed in this report have a multiplier effect throughout North Carolina's economy.

communication and transportation costs”¹⁵ and the emergence of containerized shipping technology. In tandem, the spread of consumer knowledge, influencing markets like never before, has required markets to offer more choices and lower prices, a process that is ongoing. Businesses also realized the competitive advantages of producing their products in countries that have a comparative advantage, one of which often is low labor costs. Such advantages offered and offers developing countries an opportunity for economic growth and increased prosperity. The outstanding example of this development is China, which tries hard to increase prosperity of its citizens and provide jobs to everyone¹⁷ to keep the pseudo communist party in power. Evidently, the North Carolina furniture industry is not immune to these globalization boosting agents and the accompanying consequences.

Latest figures from the U.S. Census Bureau,¹⁸ for example, show that, whereas total U.S. retail sales for the first quarter of 2002 were estimated at \$743.8 billion, an increase of 2.7 percent from the same period a year earlier, U.S. e-commerce^c retail sales (unadjusted) for the first quarter of 2002 was \$9.849 billion, an increase of 19.3 percent from the first quarter of 2001 (more than seven times the increase of traditional retail sales). In fact, U.S. e-commerce retail sales has almost doubled since the first quarter of 1999 (when tracking started) from \$5.481 billion to \$9.849 billion in the first quarter of 2002.

Akin to technological advances is the wind of economic liberalization sweeping the world enhanced by the relaxation of Cold War tensions, diminishing national boundaries, improved international understanding, easing trade barriers, rising capital flows and financial exchanges, increasing penetration of technological knowledge, and ever increasing use of computers, to mention a few.

Purpose of the Study

This study examines the impact of globalization on North Carolina’s traditional manufacturing industries particularly the furniture industry. While the phenomena of globalization is extensively researched and documented, none has focused specifically on the effect of globalization on North Carolina’s furniture industry. Yet, such a study is of crucial importance to the State, because:

- The State's furniture industry employs roughly 10 percent of all manufacturing workforce¹⁹ mainly in rural, economically less developed rural areas and shipped \$8.02 billions in product in 2000, which is 4.5% of North Carolina's total manufactured value of shipments (\$178.01 billion).²⁰ The furniture

^c According to U.S. Department of Commerce, “E-commerce sales are sales of goods and services where an order is placed by the buyer or price and terms of sale are negotiated over an Internet, extranet, Electronic Data Interchange (EDI) network, electronic mail, or other online system. Payment may or may not be made online.”

industry added a net \$4.2 billion of value to its product in 2000 (4.6 percent), of a total of \$92.46 billion in manufacturing value added in 2000 in North Carolina.

- Furniture also is a major user of lumber and wood products supplied by the many suppliers throughout the state. A significant part of the roughly \$4.86 billion in value added in 2000²¹ in this supplying industry are consumed by the State's furniture industry.
- Other industries, such as, retailing, packaging, and transportation among many others, directly depend on the furniture industry – creating what Porter calls a "Center of Excellence."²²
- The State's lead economic development agency, the Department of Commerce, vis-à-vis the Division of Policy, Research, and Strategic Planning's "think tank" role, among others, is to evaluate watershed economic events that have direct impact on the lives, jobs, careers, and well-being of our citizens by analyzing, interpreting, and communicating those events in a succinct and easy to understand manner. At the same time the division is supposed to suggest appropriate policy issues and strategies on a continuing basis to policymakers.
- The State's land grant University, North Carolina State University, which is home to the Department of Wood and Paper Science and the Wood Products Extension group, among other entities, has a vital interest in evaluating and analyzing the state of this major industry. Based on such analytic work, conclusions can be drawn to support the industry through extension, research, and teaching.
- As a core industry and major employer in the state, identifying what ails the furniture industry in the aftermath of globalization is likely to add value to better understanding the challenges facing similar North Carolina industries. Measures suggested here to revamp the beleaguered furniture industry could be proposed, if applicable, to other industries similarly situated.

Scope of the Study

In order to better understand the influences of globalization on North Carolina's furniture industry, a long-term (1980-2000) trend examination was conducted. The study time period is divided into two comparative phases, 1) 1980-1990 and 2) 1991-2000. We call phase 1 (1980-1990) the "globalization neutral" period and phase 2 (1991-2000) the "globalization sensitive" period. This trend analysis is preferred because it shields employment data against distortions inherent in short run data sets

due to fluctuations in business cycles. The impact analysis covers North Carolina and its seven Economic Development Regions/Partnerships.^d

Furthermore, furniture employment and wages data for the Southeast^e region of the United States (composed of North Carolina and 11 neighboring states) are examined. Special attention is given to North Carolina's closest "rivals", Alabama, Georgia, and South Carolina. These three states are North Carolina's main competitors in respect to economic development. Therefore, they will serve as an index for comparing the impacts of globalization on the State's furniture industry relative to them.

Sources of Data

Historical data on furniture employment and wages from the U.S. Bureau of Labor Statistics and North Carolina Employment Security Commission for the period 1980 to 2000 were utilized to conduct the analysis. Also, furniture business closings and permanent layoffs data from the North Carolina Employment Security Commission (ESC) were utilized to show furniture plants establishment concentration (Figure 11) across the state, particularly, in the seven economic development partnerships.

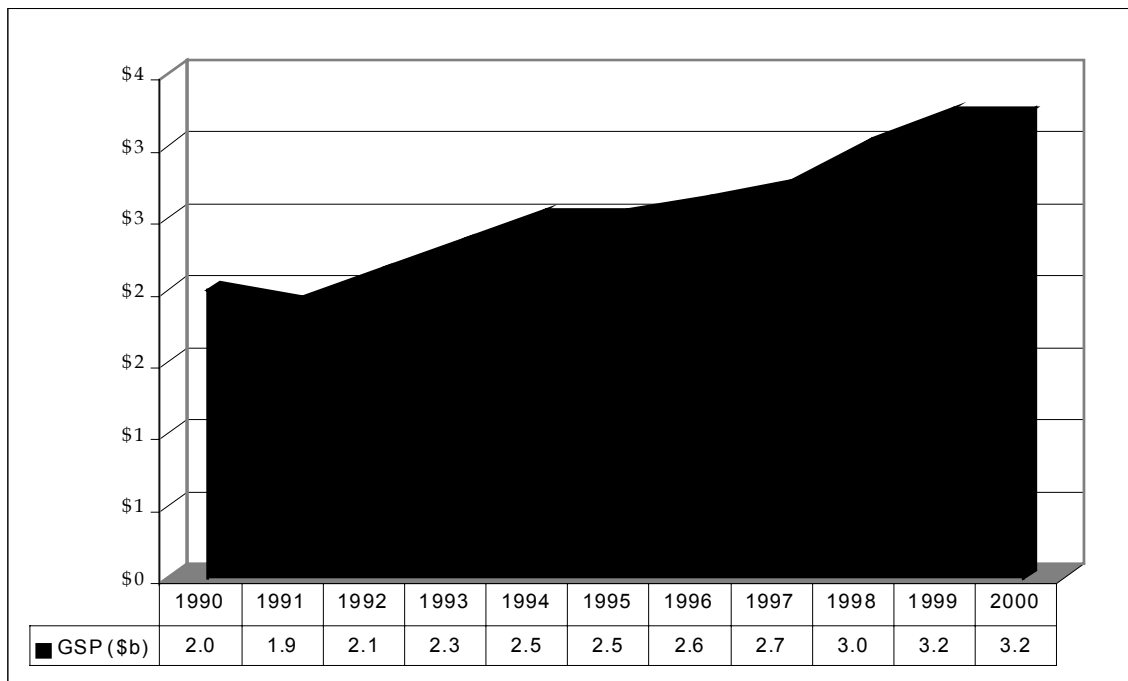
^d AdvantageWest, Charlotte Region, Global TransPark, North Carolina's East, North Carolina's Southeast, Piedmont Triad, and Research Triangle Partnership.

^e Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

II. NORTH CAROLINA FURNITURE INDUSTRY TODAY

Furniture is to North Carolina as apple pie is to America. North Carolina has the envious reputation of producing “more than half of all home furniture used in the United States,”²³ and, for almost a century now, has been described as the “furniture capital of the world.” This concentration of furniture manufacturing in a small region, e.g. a “Center of Excellence”²⁴, is widely seen as a competitive advantage, which is not easily repeated by other regions or countries. As one of the state’s mainstay industries, furniture is the second (after textile mills) largest factory sector employer, engaging almost 10 percent of the state’s manufacturing employment, expending more than \$2 billion in annual wages. Furniture’s gross state product (GSP), in current dollars, jumped to \$3.2 billion in 2000, up 60 percent from \$2.0 billion in 1990.²⁵ (See Figure 1.)

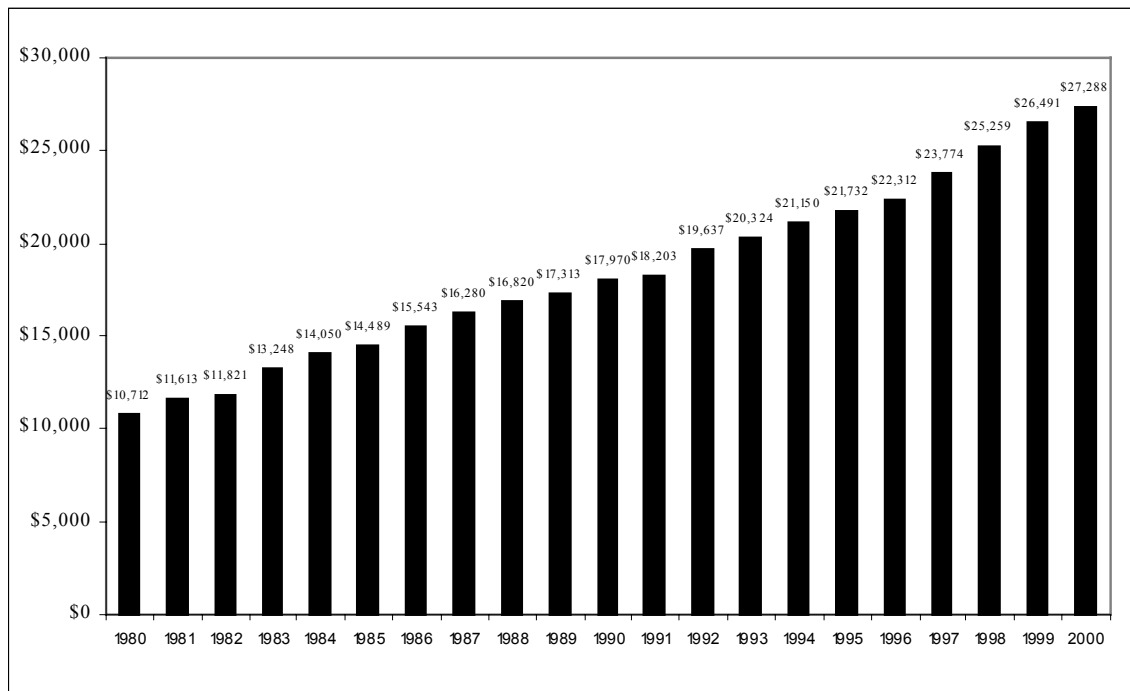
Figure 1: North Carolina Furniture Industry Gross State Product (\$b), 1990-2000



Source: U.S. Bureau of Economic Analysis, “Regional Accounts Data – Gross State Product Data,” on the web at <http://www.bea.doc.gov/bea/regional/gsp/action.cfm>

Wages followed the same expansionist growth pattern. Annual average wage per worker rose a remarkable 68 percent from \$10,712.92 in 1980 to \$17,970 in 1990. It accelerated to \$21,732 in 1995 and soared to \$27,288 in 2000²⁶ (See Figure 2).

Figure 2: North Carolina Furniture Industry Average Annual Wages, 1980-2000



Source: North Carolina Employment Security Commission, "Employment and Wages by Industry," on the web at <http://www.ncesc.com/lmi/industry/industryMain.asp>.

Note: Data for years 1980-1992 are on hardcopy.

However, overall, North Carolina's furniture industry is in decline and faces considerable pressure from globalization (Figure 3). Between 2000 and 2001, for example, the U.S. furniture industry lost more than 36,000 jobs (6.5 percent) according to the U.S. Bureau of Labor Statistics.²⁷ According to the North Carolina Employment Security Commission (ESC), in 2000, North Carolina's furniture industry employed 1,015 (1.3 percent) less people than it did a year prior. However, 2000 was the last year of strong economic growth. Since then with the weakening economy and increasing market pressures from imports, the job losses in the State increased. In 2001, when the weakening economy softened demand for furniture, North Carolina lost 9,741 jobs (12.8 percent) of its furniture employment, a trend that is continuing in 2002. These problems will remain with us for the foreseeable future, no matter the economic development of the next few years. A continuing sluggish economy simply will

increase and speed up further loss of employment, but even in the best economic scenario, the decline of manufacturing capacity will continue.

In the third quarter of 2001 alone, furniture employment dipped by almost 10 percent compared to the same period a year earlier, for a record loss of 7,852 jobs.²⁸ This is on top of the loss in employment experienced between 1990 and 2000. During this time period (the "globalization sensitive" period), furniture employment levels dropped sharply from 85,178 to 76,220, shedding almost 9,000 jobs, or more than 10 percent of industry's employment²⁹. Most analysts predict no end to this development, as there is still significant outdated manufacturing capacity in operation. At the same time, due to the difficult economic times, new investments, capitalization, and modernization are in dire straits.

With the domestic markets facing strong import pressures, the North Carolina furniture exports do not offer an alternative market. Although exports, after sliding between 1996 and 2000, rebounded modestly in 2001 by 0.58 percent to \$215.6 million from the previous year.³⁰ However, exports are less than 4 percent³¹ of total production in the State. This indicates that, whereas the industry is losing market share due to imported furniture, it does not take advantage of open foreign markets, e.g. the State's manufacturing industry isn't able to benefit from globalization so far. This marginal performance of the state's furniture industry clearly is also due to a strong U.S. dollar, making exports unduly expensive to buy abroad. However, some experts believe that the exchange rate is only part of the problem, but that outdated products and not so stellar quality carry part of the blame, too.

North Carolina furniture manufacturers are making efforts to respond to the challenges of globalization. However, the low profitability, which is typically earned in the furniture business, makes sufficient re-investment in plants, equipment, and human labor difficult. The low profitability of the industry not only reduces the capital available for reinvestment, but clearly it also defers the infusion of new capital into the industry since more profitable alternatives exist. Statistics show that the U.S. furniture industry re-invests a lower percentage of the value of shipments than do other industries (furniture industry roughly 2 percent versus the average of all U.S. manufacturing industries approximately 3 percent³²). Investments in new technologies and automated processes, improving existing procedures, and adopting new marketing strategies are made in a piecemeal fashion. Hickory Chair (Hickory, NC), for example, uses "Celaschi double-end tenoners" and "Morbidelli" in their Conover, North Carolina plant. Both pieces of equipments are reflective of new high-speed wood processing technology that has helped the company increase output, reduce job set-up time by 60 percent, provide greater manufacturing flexibility, and aid the performance of multiple tasks on the same machine.³³ Other survival measures being pursued by North Carolina furniture companies include plant upgrades, product customization and diversification, development of niche markets, export revitalization, skills renewal, and improved customer service. However, some experts doubt that such piecemeal

improvements are sufficient to guarantee the survival of a substantial manufacturing base in North Carolina.³⁴ For the industry to survive and prosper, a paradigm shift is needed.³⁵

Figure 3: Furniture Plant Closings & Layoffs 2001-2002 (50 or more Job Losses)

Year	Company	County/City	Jobs Affected	Reason
2001	Alexvale Furniture Inc.	Alexander, Taylorsville	87	Consolidation
	Thomasville Furniture	Ashe, West Jefferson	239	Sales decline
	Southern Furniture	Bladen, Elizabethtown	60	Discontinue Mfg.
	Drexel Heritage Furnishings	Buncombe, Black Mountain	89	Consolidation
	Ethan Allen	Buncombe, Asheville	116	Consolidation
	Broyhill Furniture	Caldwell, Lenoir	107	Conversion
	Thomasville Furniture Ind.	Caldwell, Lenoir	300	Sales decline
	Thomasville Furniture Ind.	Catawba, Newton	277	Restructuring
	Thomasville Furniture Ind.	Catawba, Hickory	55	Consolidation
	Thomasville Furniture Ind.	Davidson, Thomasville	75	Sales decline
	Council Companies	Davidson, Denton	50	Slow down
	Lexington Home Brands	Davidson, Lexington	60	Restructuring
	The Chair Company	Forsyth, Liberty	90	Financial difficulty
	Leggett & Platt Inc.	Guilford, Greensboro	50	Restructuring
	Lea Industries	Haywood, Waynesville	256	Business decline
	Pallister Furniture Co.	Iredell, Troutman	85	Import Competition
	Custom Products, Inc.	Iredell, Mooresville	56	Contract cancelled
	La-Z-Boy, Inc.	Lincoln, Lincolnton	130	Discontinued line
	Universal Furniture Ltd	McDowell, Marion	360	Consolidation
	Lexington Home Brands	Mitchell, Spruce Pine	297	Cost Cuts
	Klaussner Furniture Ind.	Randolph, Asheboro	148	Moved operations
	Klaussner Furniture Ind.	Randolph, Asheboro	120	Restructuring
	Caraway Furniture	Randolph, Sophia	170	Financial difficulty
	Block & Company, Inc.	Scotland, Laurinburg	66	Business sold
	Universal Furniture	Wayne, Goldsboro	61	Mfg. Phase out
	American Drew	Wilkes, North Wilkesboro	70	Business decline
			3474	
2002*	Drexel Heritage Furnishings	Burke, Drexel	120	Restructuring
	Drexel Heritage Furnishings	Burke, Drexel	175	Consolidation
	Bernhardt Furniture Co.	Caldwell, Lenoir	80	Industry downturn
	La-Z-Boy, Inc.	Caldwell, Granite Falls	82	Restructuring
	Broyhill Furniture Ind.	Caldwell, Lenoir	136	Consolidation
	Broyhill Furniture Ind.	Catawba, Conover	100	Restructuring
	Haworth, Inc.	Columbus, Chadbourne	345	Moved
	Lexington Home Brands	Davidson, Lexington	150	Restructuring
	Braxton Culler	Guilford County	200	Relocation
	Steelcase, Inc.	Henderson, Fletcher	150	Business decline
	Stanley Furniture Co.	Moore, West end	400	Consolidation
	Klaussner Furniture Ind.	Randolph, Asheboro	133	Consolidation
	Cardinal Brands, Inc.	Scotland, Laurinburg	120	Relocation
			2191	

* Through August 2002

Source: North Carolina Employment Security Commission

III. IMPACT OF GLOBALIZATION

While globalization is not responsible alone for the bane of North Carolina's furniture industry, this study goes a long way to confirm growing anecdotal evidence that globalization has taken a serious toll, especially on jobs in North Carolina's traditional manufacturing sector including furniture (Figure 3). As a result of globalization (which has opened more borders), many U.S. furniture companies (NC's companies among them), have adopted cost cutting measures to counter the problem of domestic "high production costs"³⁶ and other overheads by outsourcing and contracting out to, particularly, low wage countries in Asia and Latin America. Wholesale-imported furniture is, besides domestically in-house manufactured products, for many companies, a way to stay in business.^{37,38} Other companies decide to completely abandon domestic manufacturing to become pure wholesalers focusing on selling furniture procured from offshore manufacturers.³⁹ Others just cease operation and go out of business.⁴⁰

A recent report by the U.S. Bureau of Labor Statistics, for example, showed that while manufacturing unit labor costs (labor compensation per unit of output) declined in 2000 in competitive countries especially in Asia including Japan by 6.0 percent, Korea 4.0 percent, and Taiwan 3.5 percent, it went up by 1.4 percent in the United States.⁴¹ These labor cost fluctuations are not only due to actual costs in the different economies, but also a function of exchange rates, among other things. Such cost differentials exacerbate the tendency for United States manufacturers to move operations overseas in order to cut costs, consequently shedding local jobs. Another study indicated that the United States' furniture wage rates were higher than those of the competition including Mexico, Taiwan, and Hong Kong by up to 80 percent.⁴³ At the same pace as North Carolina's furniture manufacturers contract out the manufacture of furniture to foreign places, imports from these places increase.

Figure 4: U.S. Furniture Imports and Exports (\$000s) Selected Countries, 1999-2001

Country	1999 Imports	2001 Imports	% Change 1999-2001
China	\$3,791,590	\$5,818,042	53.4
India	\$67,363	\$107,338	59.3
Indonesia	\$523,352	\$594,665	13.6
Korea	\$82,084	\$81,291	-1.0
Malaysia	\$537,089	\$495,144	-7.8
Taiwan	\$1,138,924	\$857,992	-24.7
Thailand	\$304,546	\$343,829	12.9
Argentina	\$107,813	\$229,037	112.4
Brazil	\$99,125	\$185,275	86.9
Mexico	\$2,908,577	\$3,238,015	11.3

Country	1999 Exports	2001 Exports	% Change 1999-2001
China	\$44,855	\$50,781	13.2
India	\$3,399	\$3,816	12.3
Indonesia	\$3,480	\$4,215	21.1
Korea	\$16,460	\$24,162	46.8
Malaysia	\$6,252	\$7,737	23.8
Taiwan	\$20,804	\$14,309	-31.2
Thailand	\$8,362	\$8,070	-3.5
Argentina	\$12,394	\$12,523	1.0
Brazil	\$36,529	\$25,624	-29.9
Mexico	\$797,312	\$968,526	21.5

Source: U.S. Census, Foreign Trade Division. <http://www.census.gov/foreign-trade/www>

Globalization has encouraged the relaxation of import control rules and, in the process, given fillip to increased market penetration of imported cheap furniture, especially from Asia and Latin America, at the disadvantage of the domestic furniture industry (Figure 4). The domestic industry is losing market share in spite of a strong housing market (according to the U.S. Census Bureau between 2000 and 2001 new housing increased by almost 3 percent). The import preference problem is reinforced by globalization friendly nuances including the North American Free Trade Agreement – NAFTA, Free Trade Area of the Americas – FTAA, and the World Trade Organization - WTO, which favors more open markets (imports now equal 53 percent of domestic U.S. furniture production and account for 33 percent of U.S. furniture consumption and is rising rapidly⁴⁴), thereby flattening domestic furniture production, further eliminating jobs. The impact of globalization can be demonstrated, for example, in:

North Carolina Furniture Employment Trends 1980-1990 and 1991-2000

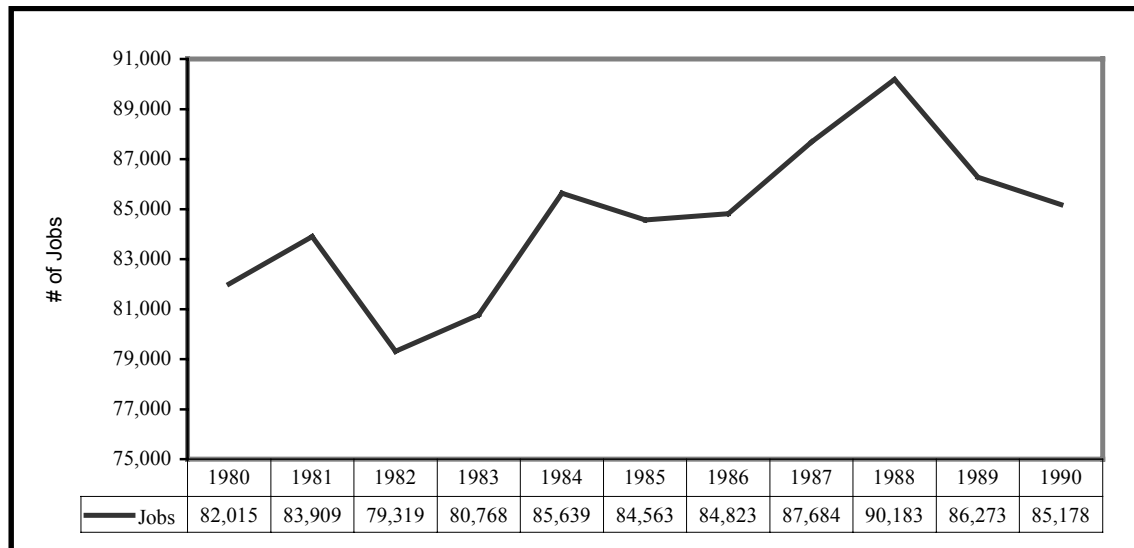
Figure 5 shows the total number of manufacturing and furniture jobs in North Carolina from 1980 to 1990, the annual average number of manufacturing and furniture jobs, the net job change from 1980 to 1990, and the percent change from 1980 to 1990. In addition, it shows the percentage of furniture employment to total manufacturing employment for the period under review. Furthermore, it shows the average percentage of furniture jobs to total manufacturing employment, and average number of furniture establishments. Total manufacturing employment increased 34,434 or 4.2 percent from 1980 to 1990. Total furniture employment grew 3,163 or nearly 4 percent during the same time period. Also, furniture's share of total manufacturing employment averaged

10.2 percent during this period. Collectively, the furniture industry increased its share of total manufacturing employment from 1980 to 1990. After dipping in 1982, it recovered rapidly through 1984, decelerated slightly through 1986, peaked in 1988, and turned down in 1989 for the remainder of the decade, entering the 1990-91 recession (Figure 6).

Figure 5: Jobs in North Carolina Furniture Industry 1980-1990

Year	Total Mfg. Jobs	Furniture Jobs	% Furniture Jobs to Total Mfg. Jobs	Number of Furniture Employment Reporting Units
1980	822,021	82,015	10.0	634
1981	821,783	83,909	10.2	687
1982	785,034	79,319	10.1	704
1983	800,469	80,768	10.1	730
1984	835,557	85,639	10.2	772
1985	830,067	84,563	10.2	770
1986	834,787	84,823	10.2	771
1987	843,123	87,684	10.4	800
1988	869,114	90,183	10.4	815
1989	866,804	86,273	10.0	815
1990	856,455	85,178	9.9	826
Annual Average	833,201	84,578	10.2	756.7
1980-1990 Net Change	34,434	3,163	-0.03	192
1980-1990 % Change	4.2	3.9	-0.3	30.3

Source: North Carolina Employment Security Commission.

Figure 6: Employment Trends in North Carolina Furniture Industry 1980-1990

Source: North Carolina Employment Security Commission.

Beginning in 1990 and fueled by the 1990-91 recession, the once thriving furniture industry began to shrink. One of the major reasons for this was the onset of economic globalization marked by increasing across the border outsourcing, contracting out, and devolutions of operations which in effect spurred pervasive job losses in the local economy. By the middle of the decade, the furniture industry's misfortunes have reached near revolt buttressed by other mutually inclusive free trade factors, such as, the North American Free Trade Agreement – NAFTA, Free Trade Area of the Americas – FTAA, World Trade Organization, WTO.

Figure 7 has the same attributes as Figure 5 except that the data is for the 1991 to 2000 period. Total manufacturing employment decreased by 43,954 jobs or 5.3 percent between 1991 and 2000 compared to the 1980 to 1990 period. Total furniture employment fell by 2,664 jobs or 3.4 percent between 1991 and 2000 compared to the 1980 to 1990 period. Also, the average percentage of furniture jobs to total manufacturing employment decreased by 0.9 percent to 9.3 percent between 1991 and 2000 compared to 10.2 percent for the average of the 1980 to 1990 period.

North Carolina Furniture Plant Closings Trends 1980-1990 and 1991-2000

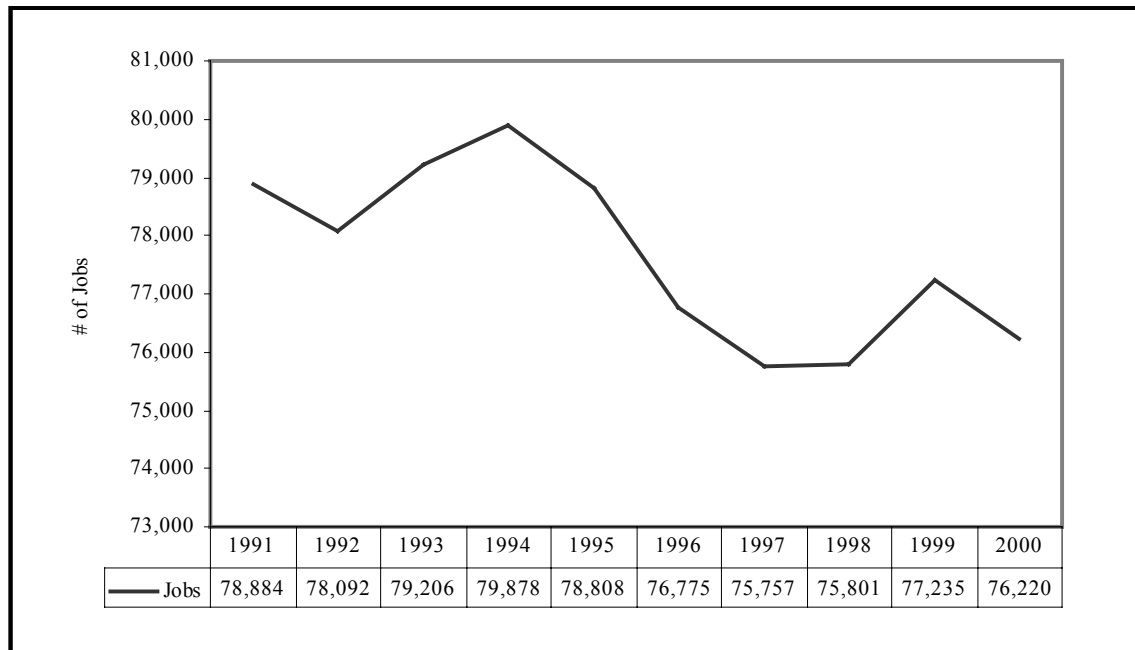
In the "globalization neutral" period, 1980-1990, the state's total furniture establishment net gain was 192 (a 30.3% gain) compared to 47 net furniture

establishment closings (a 5.5% loss) recorded in the "globalization sensitive" period, 1991-2000 (Figures 5 and 7).

Figure 7: Jobs in North Carolina Furniture Industry 1991-2000

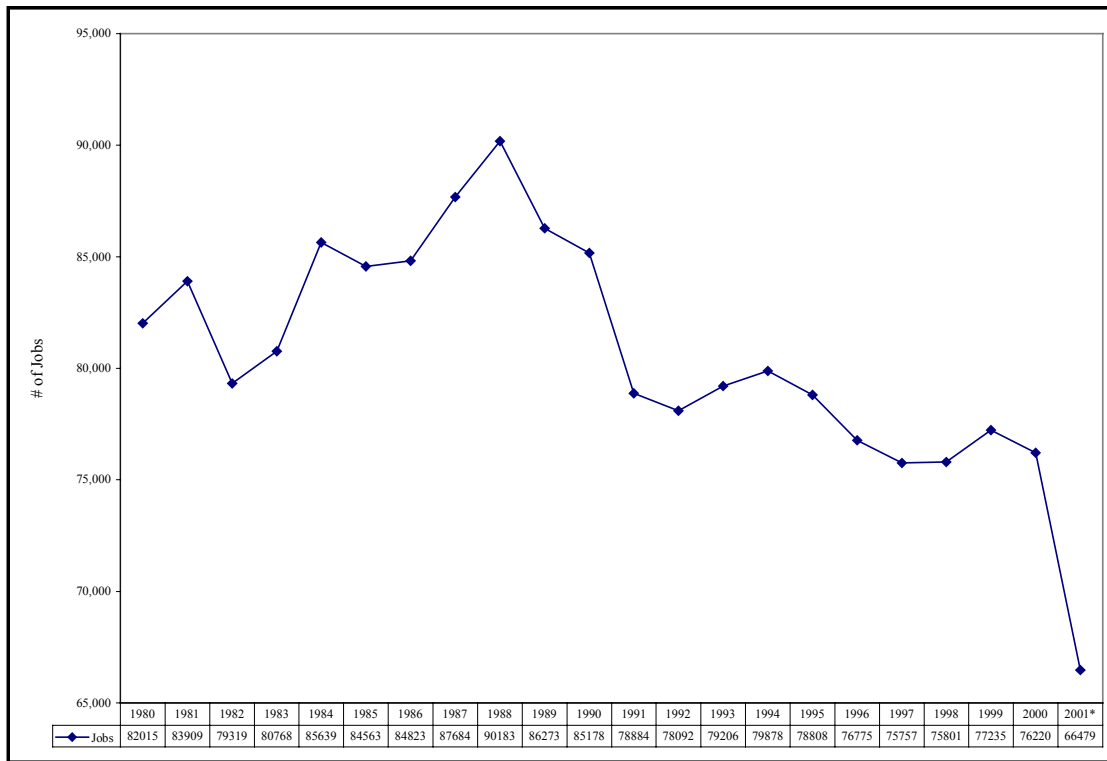
Year	Total Mfg. Jobs	Furniture Jobs	% Furniture Jobs to Total Mfg. Jobs	Number of Furniture Employment Reporting Units
1991	827,150	78,884	9.5	862
1992	833,709	78,092	9.4	822
1993	847,315	79,206	9.3	825
1994	860,510	79,878	9.3	836
1995	862,290	78,808	9.1	800
1996	845,071	76,775	9.1	800
1997	836,038	75,757	9.1	831
1998	827,034	75,801	9.2	799
1999	801,017	77,235	9.6	815
2000	783,196	76,220	9.7	815
Annual Average	832,333	77,666	9.3	820.5
1991-2000 Net Change	-43,954	-2,664	0.2	-47.0
1991-2000 % Change	-5.3	-3.4	2.0	-5.5

Source: North Carolina Employment Security Commission

Figure 8: Employment Trends in North Carolina Furniture Industry 1991-2000

Source: North Carolina Employment Security Commission

Due to the time lag of statistical data, it is hard to show how dramatically more severe the situation for North Carolina's furniture industry has become in the past two years (2001 and 2002). Today, almost two thirds (66 percent) of domestic production is imported and market penetration of offshore furniture is fast reaching 50 percent.⁴⁵ Furniture imports from China alone increased by more than \$2 billion (a 53.4 percent increase) in only two years from 1999 to 2001. Whereas the statistics report a drop in furniture manufacturing employment from 1999 to 2000 of 1,015 jobs, North Carolina lost 3,474 jobs in 2001 in furniture plants closing with 50 or more job losses and another 2,191 jobs in 2002 through August for the same category⁴⁶. Just how desperate the situation is and how rapidly the job losses are occurring is illustrated in Figure 9 below which summarizes number of employment over the time period from 1980 to 2001.

Figure 9: Summary of Employment Trends in North Carolina Furniture Industry 1980-2001

* 4th quarter of 2001

Source: North Carolina Employment Security Commission

There are strong indications that layoffs in 2002 will exceed the ones experienced in 2001, with Thomasville furniture announcing on September 20, 2002 that it will lay off another 425 employees in Thomasville, North Carolina.⁴⁷ The data shows that the furniture industry, which accounts for roughly 10 percent of North Carolina's employment⁴⁸ and adds \$4.2 billions to the state economy⁴⁹ per year, is contracting fast with no bottom in sight. If no decisive actions are taken to support the industry through public policy, education, and outreach, furniture manufacturing and with it many supporting industries (e.g. the Furniture Industry Cluster in North Carolina⁵⁰) will soon be history. Besides the economic consequences for the State of North Carolina, the human side of this tragedy is illustrated in Bamberger's and Davidson's book, "The Closing".⁵¹ Yet many experts maintain, although dramatic changes in the way furniture is manufactured and sold are inevitable, that a prospering industry could be maintained by taking decisive action at public, industry and individual levels.^{52,53, 54}

North Carolina Economic Development Partnerships

North Carolina's Regions/Partnerships (region and partnership are used interchangeably) are the microcosm of the State and, whatever impacts the State by default affects the Partnerships. The furniture industry is no exception especially for Regions and counties heavily dependent on the furniture industry for jobs and tax revenues.

There are seven Economic Development Partnerships in the State of North Carolina. The Partnerships were created in 1993 starting with three Commissions, namely, West, Northeast, and Southeast "to provide a boost to the West, the Northeast, and Southeast areas of the state considered most needy of job growth, capital investment, and additional support from the Department of Commerce."⁵⁵ In 1994-1995, the regional concept was replicated statewide to include all 100 counties and expanded the number of Partnerships to seven "to leverage efforts, expenditures, and programs to foster economic growth in all parts of the state."⁵⁶

Figure 10 shows the total number of furniture jobs in North Carolina's seven economic development partnerships from 1990 to 2000, the net job change, and the percent change. Furniture employment declined in all of the seven partnerships (data for North Carolina's East was suppressed for confidentiality reasons). The hardest hit Region was Piedmont Triad, losing more than 3,700 jobs or 12.5 percent, followed by AdvantageWest with 1,731 jobs or 8.1 percent and, Charlotte Region with 1,591 jobs or 6.4 percent. Research Triangle Partnership shed 1,006 jobs or 33.5 percent, North Carolina's Southeast 816 jobs or 56.3 percent, and Global TransPark 420 jobs or 31.3 percent.

Figure 10: Furniture Jobs in NC Economic Development Partnerships 1990-2000

Partnership	Number of Counties	1990 Number of Jobs	2000 Number of Jobs	1990-2000 Net Job Change	90-00 % Change Number of Jobs
AdvantageWest	23	21,448	19,717	-1,731	-8.1
Charlotte Region	12	24,779	23,188	-1,591	-6.4
Global TransPark	13	1,341	921	-420	-31.3
North Carolina's East	16	*	*	*	*
North Carolina's Southeast	11	1,450	634	-816	-56.3
Piedmont Triad	12	29,879	26,135	-3,744	-12.5
Research Triangle	13	3,000	1,994	-1,006	-33.5

*Suppressed data

Source: North Carolina Employment Security Commission

Figure 11 shows the number of furniture establishments in the state's seven economic development partnerships (data for North Carolina's Eastern Region was suppressed for confidentiality reasons) from 1990 to 2000, the net change from 1990 to 2000, and percent change from 1990 to 2000. Except Advantage West and Research Triangle Region, the rest of the partnerships experienced furniture plant closings with Piedmont Triad recording the highest rate at 31, followed by North Carolina's Southeast with 20, Charlotte Region 9, Global TransPark 4.

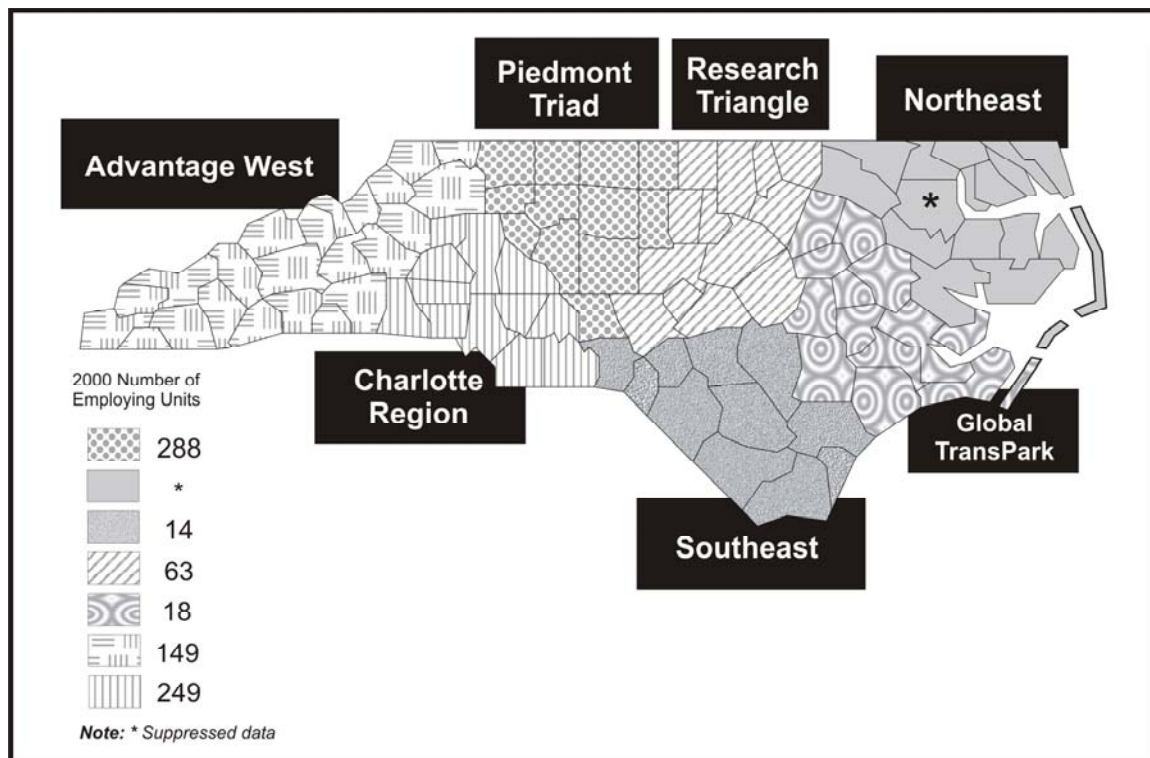
Figure 11: Furniture Establishments in North Carolina's Economic Development Partnerships 1990-2000

Partnership	Number of Counties	1990 Number of Employing Units	2000 Number of Employing Units	1990-2000 Net Emp. Units Change	90-00 % Change Number of Employing Units
Advantage West	23	98	142	44	44.9
Charlotte Region	12	258	249	-9	-3.5
Global TransPark	13	22	18	-4	-18.2
North Carolina's East	16	*	*	*	*
North Carolina's Southeast	11	34	14	-20	-58.8
Piedmont Triad	12	319	288	-31	-9.7
Research Triangle	13	59	63	4	6.8

* Suppressed data

Source: North Carolina Employment Security Commission

Figure 12: Map Showing Furniture Industry Establishments in North Carolina By Economic Development Partnership



Courtesy: North Carolina Department of Commerce, MIS Division

U.S. Southeast Region

In order to determine the impact level and consequences of globalization on North Carolina's furniture industry relative to the Southeast Region, especially, our closest competitors, namely, Alabama, Georgia, South Carolina, and Virginia, an employment comparison analysis was performed.

Figure 13 shows the total number of furniture jobs in Alabama, Georgia, North Carolina, South Carolina, and Virginia in 1990 and 2000, the percent share of furniture jobs to total manufacturing employment in 1990 and 2000, net furniture job change between 1990 and 2000, and the percent job change between 1990 and 2000. Between 1990 and 2000, Alabama's, Georgia's, and South Carolina's furniture jobs grew by 7,300 (24.7%); 2,000 (20.2%); and South Carolina 200 (4.5%); respectively, compared to North Carolina's loss of more than 8,000 (nearly 10%) of furniture employment during this period (Figures 13 and 14). Virginia also lost furniture employment, although only two thirds as much as did North Carolina on a percentage basis. Not only were Virginia's losses less pronounced than North Carolina's, but Virginia is much less

dependent on furniture than is North Carolina. Virginia's share of employment in furniture is 5.6 percent, slightly more than half of North Carolina's 9.7 percent of all manufacturing employment. Also, while Alabama, Georgia, and South Carolina increased their percent share of furniture jobs to total manufacturing employment, North Carolina's receded to 9.7 percent in 2000 from 9.8 percent in 1990.

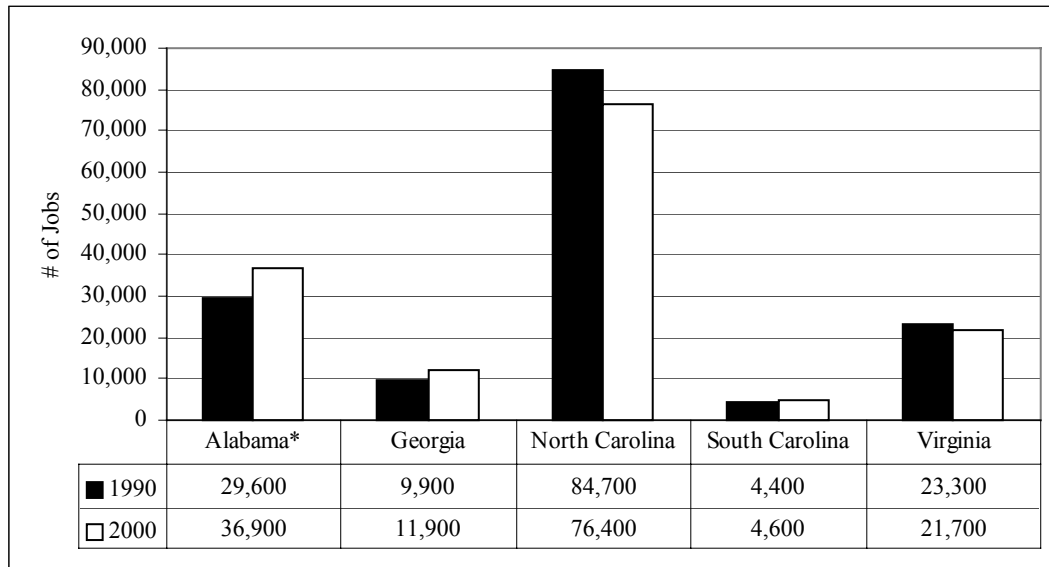
However, while the number of North Carolina's furniture job losses during the period under review was overwhelmingly higher than the rest, the result should be interpreted under consideration of the fact that North Carolina's 76,400 furniture jobs in 2000 was more than the combined total of 53,400 for Alabama, Georgia, and South Carolina. This just underlines the crucial importance of the furniture and wood products industries to the State. And by default, North Carolina's economy is impacted much more severely from furniture job losses due to unsavory economic events (for example, globalization), than are the other states. An interesting question to be asked would be why was North Carolina losing furniture related jobs when all the other states were adding employment to its furniture industry. This could indicate an unfavorable economic environment for furniture manufacturers in the State. Or it may partially be due to lower or missing support of the industry by the State, or a combination of both. More research into this area would be of high importance to allow corrective action to be taken and to support the existing manufacturing base in the State.

Figure 13: Furniture Jobs in Selected Southeast States 1990-2000

State	1990		2000		1990-2000	% Change
	Furniture Jobs	% Share Mfg. Employment	Furniture Jobs	% Share Mfg. Employment	Furniture Net Job Change	Furniture Jobs 1990-2000
Alabama*	29,600	7.7	36,900	10.2	7,300	24.7
Georgia	9,900	1.8	11,900	2.0	2,000	20.2
North Carolina	84,700	9.8	76,400	9.7	-8,300	-9.8
South Carolina	4,400	1.1	4,600	1.3	200	4.5
Virginia	23,300	5.5	21,700	5.6	-1,600	-6.9

*U.S. Bureau of Labor Statistics does not have listings for "Furniture Industry" for Alabama. Alternatively "Lumber and Wood Products Industry" data was used.

Source: U.S. Bureau of Labor Statistics, "State and Area Employment, Hours, Earnings," <http://data.bls.gov/cgi-bin/dsrv>.

Figure 14: Furniture Jobs Trends in Selected Southeast States 1990-2000

Source: U.S. Bureau of Labor Statistics, on the web at <http://data.bls.gov/cgi-bin/dsrv>

IV. CONCLUSIONS

The full impact of globalization on North Carolina's traditional industries, including furniture, may never be known in its entirety. Economic globalization has enhanced economic possibilities and eliminated barriers to free trade, but at the same time, it has left many individuals resentful and jobless and, the industries prostrate.⁵⁷ The poignancy cannot be missed in the case of North Carolina's furniture industry. Although almost all of North Carolina's traditional industries are suffering under the weight of economic globalization, the wooden residential furniture industry segment has been especially hard hit. While total manufacturing employment, for example, declined by 6.4 percent or 50,500 jobs between 2000 and 2001, furniture employment fell 7.2 percent or 5,500 during the same time period.⁵⁸

While other factors were at work in the North Carolina furniture industry's distress, this study found that there is a strong connection between the incidence of globalization and the perils of the state's furniture industry markedly manifested in drastic furniture job losses, especially, through unprecedented cost cutting driven off-shore outsourcing and devolution of activities, sustained import competition, all of which encouraged capacity underutilization, redundancy, and jobs displacement. As a specific pointer, in the "globalization sensitive" period, 1991-2000, the North Carolina furniture industry's employment contracted sharply, losing 2,664 net furniture jobs, compared to 3,163 net furniture jobs gained in the "globalization neutral" period, 1980-

1990. Correspondingly, 47 net furniture establishment plant closings were recorded in the "globalization sensitive" period, 1991-2000, as opposed to an increase of 192 plants in the "globalization neutral" period, 1980-1990.

This trend of losing furniture-manufacturing employment in the State, which was established in the 90s, continues and has accelerated significantly through today. In the third quarter of 2001, North Carolina lost 7,852 furniture-manufacturing jobs⁵⁹, which represents more than 10 percent of its total employment in this industry. Since 1988, the year when direct furniture manufacturing employment peaked at 90,183 (Figure 5) until August 2002, when we estimate direct furniture manufacturing employment to be no more than 60,000 (4th qtr 2001 furniture employment data, the most recent available, released by the NC ESC was 66,479 and since that time more furniture job losses have been recorded). North Carolina lost more than a third of its employment in furniture. If indirect jobs in the supplying and retailing industries directly dependent on furniture manufacturing are counted in, this amounts to a staggering loss of employment for North Carolina.

Consequently, what is needed within the context of the state's general economic revival strategy, is a combination of furniture industry's reengineering leadership that insists on innovation and competitive excellence, job training programs that adequately prepare North Carolinians for the challenges of the New Economy, proactive economic policies that spur growth and raise incomes, and smart trade policies that would nudge the state's traditional industries without inhibiting free entrepreneurship and trade.

V. POLICY ISSUES

At a workshop on "Globalization and North Carolina Industries" in May 2002, Dr. Edward Fesser of the University of North Carolina at Chapel Hill asked, "how ready is North Carolina and its regions for the changes that are accompanying increasingly open markets?" In an answer, Dr. Fesser declared, "bottom line North Carolina is not prepared." Dr. Fesser is not alone. In a recent news story on "Free Trade," the Raleigh, North Carolina, *News & Observer*, indicated, "North Carolina's political and business elite awoke belatedly to find remedies to workers' pain, sparked by free trade agreements."⁶⁰ These two commentaries unequivocally underscore the severity of globalization-induced problems on the State's economy and the difficult task of addressing them.

The reality is that the rules of economic engagement have changed and the terrain has gotten more difficult especially on the heels of free trade. Old-line solutions of yesterday simply cannot work for the new line problems of today. Conventional production and assembly lines have given way to robotics and computers that perform "miracles" unimagined not long ago. And with the North Carolina traditional manufacturing industries still threatened and furniture industry job losses escalating, it

has become absolutely necessary for both private and public leadership to offer both short term and long-term policy measures to reverse the downward trend and other globalization related travails. North Carolina policy makers must move quickly and aggressively in this direction. Also, North Carolina leaders must be proactive in their approach to help workers and businesses “fill the skills gap” and deal with other economic problems wrought by the New Economy. While efforts are being made to reposition the state’s traditional industries, however, they are not enough. More needs to be done. Schuler and Buehlmann⁶¹ call for a **paradigm shift**, which is necessary for the industry to regain competitiveness domestically and globally. However, such a shift will take some time and need the support of industry, government, and educational institutions. In the short run, more pragmatic steps, some of which are listed below need to be taken.

In the immediate the efforts of the public leadership could be directed at helping the companies in regards to:

- **Delivering** effective corporate and civic leadership that is open to new ideas, friendly to innovation and restructuring, and enthusiastic about ongoing support.
- **Partnering** or merging with competitors to reduce costs and other overheads through outsourcing, consolidation, and short-run component supplies.
- **Leveraging** better financing including debt management and new credit facilities to help insolvent and bankrupt companies recapitalize and stay in business or to allow them to be bought by competitors.
- **Evaluating** business models and product lines with regard to profitability and usefulness.
- **Outsourcing and Supply Chain Management** could be used to dramatically lower costs, reduce variability of goods manufactured in-house, and to offer products in niche markets.
- **Lean Manufacturing** methods will help companies become more competitive by reducing cost and lead times.
- **Reducing** management layers including paperwork and routine clerical time through Internet marketing, automated ordering and billing (EDI), and high speed communication.
- **Diversifying** business streams towards optimum allocation of resources and finding untapped niche markets particularly overseas.

- **Automating** including reengineering of production processes towards a more efficient, flexible, and lower cost but high quality output.

However, the long term survival and growth of the State's furniture industry depends on making wise public policy decisions and supporting the industry through establishing a favorable business climate, providing the appropriate infrastructure, offering help through outreach programs, and helping the industry educate and train a superior workforce. We must acknowledge that furniture manufacturing evolves from a low-skill, mass production industry to a high-tech, high capital industry, which is relying on outsourcing and task specialization at ever increasing speeds. Paradigm shifts, such as the ones advocated by Buehlmann and Schuler⁶² and models developed by others, which the industry has to embrace and implement will require highly educated individuals and support from facilities at the State's Universities and Community Colleges.

Thus, some of the long-term efforts could be directed at:

Skill Improvement

1. Education and Job Training – Job skills must be refurbished in line with changing times and industry demands. However, in North Carolina, even in the wake of globalization, “providing additional schooling for workers who lost their jobs as a result of free trade (globalization) is a shining concept tarnished by reality.”⁶³ Studies⁶⁴ indicate that North Carolina’s job training and education programs for displaced workers are inadequate and “often miss the target.” In fact, “it has not worked especially well at being cost effective, improving human capital, or achieving better wages.” For example, coupled with the problems of limited funding and budget cuts, “four out of five workers who experience free trade related lay-offs don’t enroll in a government sponsored retraining program,” and “unemployment benefits of many workers are not enough to sustain them while they undergo training.” Also, available training programs are not as flexible as they ought to be and are “not available in avenues other than community colleges settings,” further restricting access to would be participants.

Moreover, many of the State’s educational institutions including community colleges and universities lack the resources to acquire cutting edge machines, equipment, and computers to train workers on the skills they need to succeed in the era of globalization. The result is a skill mismatch whereby students are taught “New Economy” skills with “Old Economy” machines. The North Carolina Community College System has been at the forefront of providing job training through New and Expanding Industries Program (NEIP) and the Focused industry Training (FIT) programs, especially, for dislocated workers. But this is not enough. North Carolina

needs to invest and do more in training and retraining of workers displaced by globalization related action and the New Economy.

Training needs to be extended to incumbent workers as well to make them competitive on their current jobs and, at the same time, increase their chances of better pay and career growth. In addition, the Community College system and Job Link Centers need to develop short-term training and fast track certification programs to accommodate the training needs of those who, although in need of training, do not have large amounts of time for an extended duration of training. Also, for those already dislocated and undergoing training, opportunities must be created to allow them to earn money to supplement their insufficient and terminative unemployment benefits, since many of them are forced to drop out of training programs to find work to “meet up,” because their unemployment benefits are exhausted before the completion of their training.

Furthermore, there is an urgent need for better coordination of all of the state’s job training programs for effective and better results. Currently, existing training programs are “fragmented and often fail to steer laid-off workers toward growing, well paying industries.” Above all, for the Community Colleges to continue to be the “state’s best available resource” to respond to job training needs, additional funds must be provided. Closely linked to job training is supporting skills acquisition alliance initiatives.

2. Skills Alliance Network – It is a concept that advocates a regional solution to worker training needs whereby “companies, labor, and government team up to create training alliances.”⁶⁵ This concept has grown increasingly popular in recent years among regions on the realization that “worker training problems cannot be solved at the federal level” alone, “solutions needs to be regional, diverse, and industry driven.”⁶⁶ Also, experience indicates that sometimes federally funded training programs lack flexibility, making it difficult for effective industry and worker participation. A “major flaw” of the Workforce Investment Act of 1998, for example, is that it provides training funds to displaced and disadvantaged workers only, effectively hindering incumbent workers of needed training.⁶⁷

A “highly successful” example of a skills alliance network is the “Wisconsin Regional Training Partnership (WRTP)” created in the 1990s by “business and labor to bolster family-supporting jobs in a highly competitive manufacturing environment.”⁶⁸ North Carolina can do the same. The WRTP focuses on four basic areas: 1) “implementing new technologies and work processes, 2) educating and training the current workforce, 3) meeting the future workforce challenge, and 4) forge partnerships between public, private, non-profit organizations to match the training and employment needs of workers and communities with the labor needs of employers.”⁶⁹ Furthermore, “WRTP provides management and labor a forum to share ideas, work together, and to learn best practices.”⁷⁰ Success at and completion of job training skills programs is tied to availability of sustainable training income.

3. Income – One of the major problems that job training recipients face is lack of money, especially, the inadequacy of unemployment insurance (UI) pay. Predicated on federal and state laws, the unemployment insurance program was created to provide benefits to workers during periods of forced idleness. It pays about half of an individual's average weekly earnings, with a cap of \$396 per week for a maximum of 26 weeks. Recently, Congress extended North Carolina's benefits period by 13 weeks to 39 weeks, including making provision for those who qualify for NAFTA/TAA (Trade Adjustment Act) related joblessness to receive benefits for up to 52 weeks. However, the UI program while good, needs reform "if it is going to remain the first line of defense against hardship and the erosion of assets."⁷¹

Suggested reform measures include: a) urging the North Carolina legislature to make a "budget provision" geared towards assisting dislocated workers with income to complete re-training once their UI and NAFTA/TAA benefits are exhausted;" b) extending the UI benefits duration period from the current 39 weeks, especially, if the recipient is still experiencing difficulty finding work; c) "maintaining adequate benefits level and streamlining eligibility requirements;" d) "increasing minimum wage, promoting livable income, and expanding health care access;" e) removing the "waiting week" period it takes before UI benefits kicks in to "lessen the burden of unemployment on workers and their families;" f) upgrading the Family Medical Leave Act (FMLA – 1993 law that provides leave time to attend to individual and family health conditions including pregnancy for a maximum of 12 weeks) to include compensation for lost wages.

Economic Policy

1. Creating New Jobs – Economic changes, whether good or bad, are a fact of life. The bottom line is that jobs must be created for those who are jobless and the winners' circle must be expanded. Struggling communities devastated by plant closings and layoffs must be helped. To buoy the economy, North Carolina leaders must act proactively and work collegially to address serious economic slump problems especially unemployment in the aftermath of globalization. North Carolina must rethink its economic development strategies that worked well in the industrial economy but fall short of the demands of the New Economy (often referred to as the Information-based Economy). Furthermore, stimuli are needed in the areas of business investment incentives, community revitalization, development grants, capacity building, entrepreneurial training, and capital formation. Job creation strategies complement business incentives.

2. Better Targeted Incentives - The William S. Lee Act is a business incentive program created by the North Carolina legislature to give tax breaks to businesses investing in the state, particularly, in poor rural counties. While this is a step in the right direction, available evidence indicates that most ("about 67 percent") of the tax

credits are not benefiting companies located in targeted areas.⁷² Instead, they go to the more affluent urban counties of the state. The business incentives program ought to be reformed so that more investments and resources are steered to the less prosperous deserving rural counties. As a demonstration, public policy could “restrict the use of credits” by “limiting” in favor of poor counties the location where incentive credits could be deployed, or, by tightening the “jobs and investment criteria that businesses in affluent counties have to meet.” Business incentives must be extended to small businesses.

3. Nurturing Small Businesses – According to the Small Business Survival Committee (SBSC), a Washington, DC, business advocacy group, “a big part of the American dream for many people is to start up and grow their own business.”⁷³ Small businesses and entrepreneurships are the lifeblood of U.S. economy. The U.S. Small Business Administration (SBA) reports, “America’s 25 million small businesses employ more than 50 percent of the private workforce, contribute more than half of the nation’s gross state product, and are the main source of new jobs in the U.S. economy.”⁷⁴

Specifically, small businesses represent 99.7 percent of all employers; employ 53 percent of private sector workers; provide 75 percent of net new jobs; account for 47 percent of sales in the nation; produce 55 percent of the innovations; account for 35 percent of federal contract dollars; are responsible for 38 percent of high tech jobs; and represent 96 percent of national exports.⁷⁵ A recent report by an affiliate of the SBA classified more than 98 percent of North Carolina’s employers as small business (those with less than 500 employees), engaging almost half of the private sector workforce. For the state’s small businesses to continue to grow and create jobs, North Carolina must not only be perceived as an “entrepreneur-friendly state,” public policy must also encourage their survival and viability through such policy instruments as low taxes, regulatory relief, less bureaucracy, access to affordable health care, and improved labor standards. Provision of “critical infrastructures” especially in rural counties, is necessary to attract and retain businesses and talented workers.

4. Providing Infrastructure – Infrastructure deficiency or lack of it impedes economic development. For the rural communities to thrive and compete effectively in the New Economy, infrastructure must be provided. While applauding past efforts, many of the state’s rural communities still lag behind their urban counterparts in the availability of infrastructure services. Specific areas of concern include water/sewer improvements, competitive natural gas and electricity service rates, affordable Internet access, and better transportation access. Since most of the rural communities “lack the ability to pay” to finance needed infrastructure, direct public fiscal intervention is called for including budget provisions, grants and loans, federal dollars and even corporate sponsorships. Besides providing “Old Economy infrastructure” we also must provide for the New Economy⁷⁶ infrastructure.

5. New Economy Infrastructure - According to the Progressive Policy Institute (PPI), a Washington, DC think tank, “We need to do a better job of training and educating new entrants to the workforce and workers dislocated by economic change. Today, to be competitive, firms are using more technology and reorganizing production processes in new ways, such as cellular production, use of teams, and other high performance work organization methods that require higher levels and new kinds of skills.”⁷⁷ The PPI is not alone. Professor Lester Thurow from the Massachusetts Institute of Technology (MIT) correctly stated: “Skilled people are required to discover new knowledge, invent new ideas and processes, staff the vital production processes, ensure proper upkeep of intricate equipments, use and apply new products and processes induced by technology advances.”⁷⁸ Simply put, to engender innovation and equip her citizens to win in the New Economy, North Carolina must invest in the knowledge infrastructure of the 21st century.

It seems that North Carolina is lagging behind and has a lot of catching up to do. Dr. Edward Feser of the University of North Carolina at Chapel Hill has argued, “in North Carolina, we are specialized in low-tech, low-wage traditional commodity chains...we are highly specialized in declining, traditional manufacturing industries...the message of innovation, learning is not reaching significant segments of our population.”⁷⁹ This must change if North Carolina is to be a serious player in the new global economy.

In the industrial economy, investment in “commonly shared resources” including roads, bridges, rails, airports, seaports, water and electricity supplies was the order of the day. While these facilities are still indispensable, however, “now for the most part they benefit localities in which they are located and, are likely to do less for national productivity.”⁸⁰ In the information driven global economy that we are in, investments in new kinds of infrastructure, especially information technology, is the key to success because its power, effect, and reach is overwhelming, and transcends national boundaries instantaneously.

North Carolina must rise to the challenge of this irreversible trend. Research indicates that higher productivity will come mainly from advances in and application of knowledge, especially application of advanced information technologies.⁸¹ Acquisition of technology is not enough in itself to spur productivity and growth, but the ability of workers to develop and use these technologies is what makes the difference. Equally vital is to foster “digital opportunity,” particularly in the underserved North Carolina communities through Internet access and high-speed communications technologies. Consequently, in the New Economy, North Carolina must continue to strive to improve her technology capabilities including support for higher education technology skills, increasing research and development funding, offering incentives such as matching grants and tax credits to companies to train workers, as well as bolstering lifelong learning to keep up with the rapid changes and demands of the Information Age.

Trade Policy

North Carolina has no choice but to share in the benefits as well as in the banes of globalization. North Carolina leaders can work to influence the reduction of the undesirable impacts of globalization on its businesses and people by leveraging the following trade policy options:

1. Advocacy - The message of the benefits of globalization vis-à-vis free trade must always be reinforced and made unambiguously clear to North Carolinians. At an economic summit in Davos, Switzerland during his tenure, President Clinton said, “open markets and rules based trade are the best engine we know of to lift living standards, reduce environmental destruction and build shared prosperity.”⁸² Today's information and transportation technologies further enhance the benefits of the principle of division of labor⁸³ where outsourcing⁸⁴ represents a further degree of specialization of the principle introduced in the seventeenth century and the benefits of the comparative advantage among nations⁸⁵. North Carolina is no exception. Consequently, North Carolina leaders must never tire of advocating for the expansion of free trade, insisting on the facts that globalization is good for North Carolina.

Trade expansion, for example, provides more markets for the goods and services that North Carolina companies produce. Also, it improves living standards and ensures the well being of working families, fosters shared prosperity, encourages competition, boosts commerce, enhances exports, and protects the environment.⁸⁶ In addition, trade expansion swells public revenues through trade taxes and other charges that could be used to provide needed public services. Moreover, openness to trade not only gives consumers more choices, it also “provides access to new ideas, technologies, and methods of production, spurring innovation and development.”⁸⁷ Leadership advocacy extends to legislative influence.

2. Legislative Influence – The U.S. Congress may not have the final say on international Trade Agreements, but it can influence and shape its outcome especially during the negotiations deliberation process. North Carolina's Congressional Delegation must never retreat from working with their colleagues and consulting with other counterparts to get the best trade deals for the nation and, by extension, North Carolina. Also, they must always work to provide funding and, press for better enforcement of trade laws especially “anti-dumping^f” and anti-transshipment^g” rules, to adequately check trade practices inimical to the national interests including North Carolina's economic interests.

^f Dumping is the practice of selling products overseas below home market prices, or below the cost of shipping and production, ostensibly, to stifle competition.

^g Transshipping is the practice of evading quotas or avoiding tariffs by shipping through a third party country.

Another way Congress could influence trade policy is to provide the President with “fast track” negotiating authority^h. The case must be made that without “fast track,” “U.S. will be left as observers, losing her opportunity to shape globalization, content to be simply shaped by it.”⁸⁸ Also, those “hurt by freer trade” need help. “Broadening” the assistance eligibility could assist this group, helping dislocated workers with “health insurance tax credit,” and “wage insurance” benefits to compensate for reduced pay in their new jobs. Trade policy discussion would be incomplete without mention of the World Trade Organization (WTO).

3. World Trade Organization Reform – The WTO was organized in 1995 and is located in Geneva, Switzerland. It is an international organization dealing with rules of trade between nations.⁸⁹ It has 144 member nations as of January 1, 2002. While WTO cannot dictate national policy, it is a rule-based international trading system with some restrictive clauses and principles, which the public can find overbearing, if not totally unacceptable at times. As such, it is “not enough for national trade bureaucrats” to have “confidence” in the WTO, citizens and corporate entities must also be encouraged to do the same to allay perceived misgivings. As such, it is important to make reforms that would make WTO activities more open and transparent with due regard to protection of national security and “proprietary information.”

Also, WTO must strive to bring a balance in the conflict between free trade advocates, who contend that trade control impairs the market, and environmentalists, who argue that unrestricted commerce will foster a “race to the bottom” among poor nations with few or no environmental hurdles as they seek to attract foreign investments. This could be achieved through broad stakeholders’ consultations in the formulation of trade policies, information sharing, building links between and WTO and civil society, making the WTO more inclusive by giving poor nations more say in the affairs of WTO, preferring dialogue and negotiated settlement over trade sanctions, etc.

Furthermore, the WTO must look into labor standard concerns especially reported abuses in factories and workhouses around the world that tend to obviate the sentiment that “development has benefited wealthy multinational companies at the expense of ordinary workers.” While all labor abuse problems cannot be solved in one fell swoop, some steps can be taken to improve labor conditions, including, promoting corporate social responsibility, better enforcement of labor codes, rewarding companies that meet labor criteria, and improved information access.

^h Fast track allows the “President to strike trade deals, which Congress will then vote for or against, but may not amend.”

VI: FURNITURE INDUSTRY RESOURCES

Public and private agencies that can assist North Carolina furniture manufacturers find new markets abroad, answer regulatory and compliance questions, and provide technical and market consulting.

Organization	Address	Contact
NC Furniture Export Office – NC Department of Commerce/ International Trade Div.	High Point, NC	Shannon Neal/Jan Burge Phone 336-884-8170 sneal@nccommerce.com / www.exportnc.com
U.S. Department of Commerce	Greensboro, NC	John Schmonsees / Iris Conner Phone 336-333-5345 John.Schmonsees@mail.doc.gov http://www.ustrade.gov/
U.S. Department of Commerce	Washington, DC	Jamie Ferman Phone 202-482-5783 Jamie_Ferman@ita.doc.gov
American Furniture Manufacturers Association	High Point, NC	Phone 336-884-5000 www.afma4u.org
International Home Furnishings Market Authority	High Point, NC	Phone 336-869-1000 www.highpointmarket.org
Furniture Manufacturing and Management Center North Carolina State University	Raleigh, NC	Phone 919-515-3335 www.fmmcenter.ncsu.edu/
Department of Wood and Paper Science Wood Products Extension North Carolina State University	Raleigh, NC	Phone 919.515.5580 www.ces.ncsu.edu/nreos/wood/

Major Industry Publications

Furniture Today
Greensboro, NC
Phone 336-605-0121

www.furnituretoday.com

InFurniture
High Point, NC
Phone 336-841-3203
<http://www.fairchildpub.com>

Furniture Design and Manufacturing
Des Plaines IL
Phone 847/390-6700
www.fdmonline.com/

Upholstery Design and Manufacturing
Des Plaines IL
Phone 847/390-6700
[www. http://www.udmonline.com/](http://www.udmonline.com/)

Wood & Wood Products
Lincolnshire, IL 847-634-434
<http://www.iswonline.com/index-www.html>

Modern Woodworking Magazine
Atlanta, GA
770-418-1301
www.modernwoodworking.com

Wood Digest
Fort Atkinson, WI
920.563.1707
www.woodworkingpro.com/

Major Furniture Trade Fairs

The International Home Furnishings Market (April / October)
High Point, NC
#336-869-1000
www.highpointmarket.org / www.ihfc.com

The Cologne Furniture Fair (IMM) - January
Cologne, Germany
www.moebelmesse.de

The Birmingham Furniture Fair – January
Birmingham, England
www.thefurnitureshow.co.uk

Expo Mueble (February)
Guadalajara, Mexico
www.afamjal.com.mx

International Furniture Fair – Tokyo – November
Tokyo, Japan
www.idafij.com

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